

16 February 2015

Daily

Global | Commodities

## CFTC update – Long liquidation as fears ease and holidays loom

The latest CFTC COT data shows a significant bout of long liquidation kicking in across the board, albeit with varying degrees of new shorts being added. While some of the liquidation is likely a function of the forthcoming holiday period in China, a reduction in market anxiety over Greece and stronger equity markets also appear to have been a factor.

Gold was one of the biggest movers from a positioning sense with speculative longs reducing by 11.7% in the latest data release. In percentage terms, that was the largest weekly decline in longs since December 2012. There was a modest increase in speculative shorts of 2.3%, however long liquidation dominated with ETF holdings also reducing significantly. Overall, net speculative length reduced by 96.8 tonnes with net speculative length as a percentage of open interest falling 3.4%. The reduction in longs is likely a function of fairly benign market conditions in the wake of the Greek election, with some of that fear factor ebbing away.

Silver has seen a similar pattern to that of gold with speculative longs falling 5.4%, the largest weekly decline since late September 2014, while new shorts increased 3.5% following last week's 6.5% increase. Overall however the metal continues to play second fiddle to gold.

The PGM's are interesting in terms of the level of fresh short positions. Palladium speculative longs fell by 3.1% while speculative shorts increased by 7.2%. For palladium both these figures are well within recent norms and continue to paint a picture of a market in the middle of a decent two-way battle. Lower oil prices and therefore expectations of increased gasoline and therefore auto demand, coupled with some gaps in terms of data backing up that hypothesis paint a pretty even picture. Platinum has been a different story however with speculative longs declining by 2.3%, the third consecutive weekly decline, while speculative shorts increased by 16.7%, the largest weekly increase in percentage terms since September 2014. This may be a function of participants playing the platinum : gold spread, or looking at platinum relative to palladium. Either way however sentiment has shifted. Yes it is vulnerable to short covering now, however the key will be whether it can consolidate and build on recent price support.

*By Leon Westgate*

Futures market positioning & ETF holdings for week ending 09 January 2015							
	Gold	Silver	Platinum	Palladium	Crude oil (WTI)	Crude oil (Brent)	Copper
Speculative longs	704.6	9,722.3	2,290.8	2,370.1	485.8	479.0	519.8
- Change	-93.5	-556.7	-52.9	-76.4	-3.6	0.0	-14.8
Speculative shorts	148.5	2,423.9	804.6	555.5	149.8	226.5	991.0
- Change	3.3	82.3	115.3	37.3	-11.6	126.7	2.7
Net speculative length	556.1	7,298.4	1,486.3	1,814.6	336.0	519.8	-471.2
- Change	-96.8	-639.0	-168.2	-113.7	7.9	0.0	-17.5
Net speculative length as a % of open interest	28.4%	21.0%	44.8%	51.8%	12.2%	19.5%	-22.2%
- Change	-3.4%	-1.7%	-4.5%	-3.3%	0.2%	0.0%	-0.2%
EFT holdings	1,726.9	19,980.2	2,550.3	2,973.0			
- Change	-7.4	6.1	5.9	-3.3			

Source: Source: CFTC, COMEX, NYMEX, Various ETF's, Standard Bank Plc

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## Base metals

With the US markets on holiday for President's day today and with the Chinese markets winding down for the start of the New Year holidays from Wednesday, the base metals are predictably quiet. The possible exception is nickel with another dip towards \$14,500 seeing decent volumes pick up (in relative terms at least).

Copper pushed above recent trend line resistance last week and again this morning but has failed to consolidate. With the Chinese market backing off it will be interesting to see if it can find the strength over the next few days to push higher, particularly with the usual Chinese holiday game of predicting how Chinese participants might react to price changes while they are away from their desks.

Nickle has seen a flurry of activity with prices coming under pressure this morning. Overall however the metal remains subdued and range bound. The key will be how the market fares over the next few weeks as China awakes from its holiday slumber and of course ahead of the launch of the SHFE Nickel contract later in Q2.

PT Timah's decision to suspend spot sales of tin, until prices return to their "ideal level" of "20,000 – 22,000/mt have helped shore up LME prices, with them metal trading back above \$18,000. While the move may have stopped the rot and persuaded shorts to cover back, demand conditions still need to improve for a sustainable price recovery to take hold.

*Leon Westgate*

## Bulk commodities

Chinese financial steels began the day strongly, driven by Friday's "better" loan data, and continued to hold until just a few minutes prior to the close, when sellers took values back to Friday's trading (pre-loans) levels, potentially book squaring ahead of Chinese financial market closures from Wednesday, or recognising that while January loans were stronger than prior months, they have dropped significantly on an annual basis. Ahead of CNY, news was otherwise sparse, with post-CNY likely to focus on China's National People's Congress set for the first 2 weeks of March, when the year's 2015 targets will be released.

ZCE thermal was also whacked at the close, after being range-bound across the day. For Atlantic coals, oil price strength on the back of US rig cuts & Libyan tensions, as well Colombian Fenoco coal rail cuts continue to support pricing, with the Dutch Groningen gas cut backs also helping. The currency continues to watch economic data and tensions over Greece and in Ukraine, with the cease-fire far from certain.

Shanghai Equities rallied a further 0.58% today to 3,222 points, with post-IPO subscriptions continuing to flow back into the market today and as the market digested last Friday's loan data. Of most note is the fact that Jan's aggregate loans figure of RMB 2.05 trillion is well down on last January's RMB 2.6 trillion print. The China Securities Journal argues that China will require 6.5% GDP to achieve its 2020 growth goals. Shanghai new home prices rose 7.3% w/w, with sales up 5.6% w/w. Shanghai 7-day interbank rates remained at 4.86%. Spot Currency traded at 6.2491, while the PBOC reference rate set at 6.1273.

Shanghai Rebar Futures May-14 contract closed up RMB 11/t at RMB 2,525/t (after touching highs of RMB 2,549/t), while SHFE HRC May-15 futures rose RMB 14/t to RMB 2,624/t. Among physical steels, Tangshan billet prices remained at RMB 1,990/t, agreed as the price til post-CNY among local suppliers. Rebar prices trade

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stagnated again in Shanghai and Beijing. HRC prices remained flat in both Shanghai and Beijing in a quiet day's trading. Baotou will slash its March prices by RMB 330/t.

China Steel has lifted its stake in the planned 3.5mt BF Vietnamese Formosa Ha Tinh Steel greenfield project from 5% to 25% - commissioning is expected by early 2016. Perwaja is looking for a cash injection from China's Zhiyuan Investment Group, with plans to improve into premium steels.

Dalian Commodity Exchange IO May-15 contract lifted RMB 8/t to RMB 497/t. Among physical iron ore, globalORE traded a MNP Fe 62% basis fines March-cargo at \$63.75/t.

Local Chinese platform COREX traded a BHPB combined mid-March-cargo of Newman fines Fe 62.5% and MAC fines Fe 60.8% at \$66.10/t and \$64.25/t respectively. Later in the day, a RioT PB Fe 61% fines March-cargo traded at \$65/t. Mysteel's Fe 62% index lifted \$1/t to \$64.75/t, while its Fe 58% index rose \$1.5/t to \$55.50/t.

In IO supply news, LKAB is still planning to lift output to 37mt from 3 new open pits, despite making a 9% cut to its workforce. Its 2014 shipments amounted to 26mt, up from 25.3mt in 2013. 4Q14 shipments hit 6.7mt. Shougang Peru shipped 10.69mt in 2014, up from 10.49mt in 2013. Mt Gibson expects to ship 5mt in 2015, after securing additional haulage for its Extension Hill tonnage to 3.5mt from 15-Feb.

The Baltic Exchange Cape index shifted 3.5% lower to \$4,937/day, with C3 at \$10.325/t and C5 at \$4.35/t, while C4 is \$4.25/t and C7 is \$5.645/t. FFA Cal15 capes are trading in the \$11,200/day range, while 2Q15 trading in the \$8,200/day range.

For Q2:15 thermal coal prices, API 2 is trading at \$64.20/t; API 4 is trading at \$63.90/t; while Newcastle is trading at \$65.65/t. Among physical globalCOAL deals, an ARA May-cargo traded at \$64.25/t, followed by an April-cargo at \$65/t. A NEWC April-cargo traded at \$72/t. Zhengzhou Futures May-15 thermal contract prices fell RMB 0.2/t to RMB 461.60/t, while the Sept-15 contract fell RMB 1.6/t to RMB 463/t. 15 major Chinese coal producers are still planning cuts over CNY (18-24 Feb), which could see supplies cut by up to 50%, from 250mt to c.125mt. China's 6 key power plants consumed 0.49mt in mid-Feb, off by 0.21mt from early-Feb and down from highs set in mid-Jan of 0.74mt. Stocks rose to 12.38mt, covering 25.1 days of consumption, up from 19 days in early-Feb. China will commission 15GW of solar capacity in 2015, up 50% y/y, after 10.6GW came online last year. Total solar capacity now stands at 28GW.

An empty ART coal train has derailed near Tamworth in NSW's Upper Hunter, with the line expected to reopen on Friday, impacting Gunnedah Basin producers. Japanese power utilities consumed 5.71mt of coal in January, up 1.8% y/y and 4.8% m/m. Indian coal auctions over 21 blocks began over the weekend and will run until 22 Feb, covering 35mtpa of producing assets, with 978mt of reserves; some for steel/cement/aluminium; some of power. x2 auctioned on Saturday; while a further 3 went under the hammer on Sunday - only x2 were retained by the incumbents.

Premium Hard Coking Coal spot prices are trading in the \$101-105/t Qld FOB range, with China CFR prices ranging \$110-115/t. On the Dalian Exchange, May-15 coke price traded RMB 12/t lower to RMB 1,128/t, while the Sept-15 contract was up RMB 1/t to RMB 1,058/t. Among Dalian HCC prices, May-15 contract prices closed up RMB 3/t to RMB 742/t, while the Sept-15 contract was unchanged at RMB 746/t.

*By Melinda Moore*

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## Commodities Data

LME 3 month	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	1,837	1,837	1,858	1,833	-1	-0.03	1,793.00	-29	-31.25
Copper	5,737	5,735	5,794	5,702	-2	-0.03	6,216.00	-93	68.50
Lead	1,840	1,850	1,848	1,829	10	0.54	1,833.00	-12	-14.75
Nickel	14,700	14,645	14,860	14,600	-55	-0.37	14,585.00	-295	-74.00
Tin	18,000	18,275	18,310	18,000	275	1.53	19,650.00	250	15.50
Zinc	2,142	2,151	2,168	2,139	10	0.44	2,155.00	-29	-11.00

LME inventory	Today	Yesterday	In	Out	One day change	YTD change (mt)	Cancelled warrants (mt)	Cancelled warrants (%)	Contract turnover
Aluminium	3,976,725	3,982,775	0	6,050	-6,050	-233,550	2,255,550	57	218,409
Copper	295,100	295,300	500	700	-200	118,075	34,300	12	250,093
Lead	213,425	213,675	300	550	-250	-8,550	12,025	6	34,080
Nickel	425,838	426,228	90	480	-390	12,690	103,512	24	75,397
Tin	11,460	11,500	0	40	-40	-585	2,105	18	4,245
Zinc	591,500	595,075	0	3,575	-3,575	-100,100	194,200	33	85,881

Shanghai 3-month	Open	Last	1d Change	COMEX	Open	Close	Change	Change (%)
Aluminium	13115	13100	0	Ali Feb'14	-	-	-	-
Copper	41800	41750	160	Cu Feb'14	260.5	260.2	-0.3	-0.12
Zinc	18,000	18,275	-1					

## Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Daily change
Gold	1,211.00	1,200.00	1,235.11	1,218.70	1,229.12	-2.65
Silver	-	16.29	17.46	16.85	17.36	0.17
Platinum	1,214.00	1,206.00	1,214.50	1,196.25	1,206.00	-49.10
Palladium	797.00	794.00	795.50	773.40	789.50	10.20

Forwards (%)	1 month	2 months	3 months	6 months	12 months
Gold	0.065	0.0825	0.095	0.1175	0.1525
Silver	0.62	0.616	0.618	0.612	0.568
USD Libor	0.173	0.212	0.2571	0.3824	0.6736

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	51.41	1,190.03	1,195.25	1,215.32	1,256.10	1,228.67	1,237.61
Silver	48.14	15.92	16.07	17.14	18.56	17.27	17.42
Platinum	47.11	1,206.52	1,207.76	1,272.72	1,366.39	1,207.58	1,217.33
Palladium	49.53	803.73	803.18	807.86	821.46	783.10	792.75

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
Settlement	1210	16.255	798.25	1210.9	1210.4	4634	1204
Open Interest	379292	152659	32802	65754	735	73137	21
Change in Open Interest	-15140	19372	-3536	4720	-531	-29605	-292

## Energy

Energy futures pricing	1 month	Change	2 month	Change	3 month	Change	6 month	Change
Sing Gasoil (\$/bbl)	71.733	1.16	75.057	2.33	75.377	2.44	76.176	2.32
Gasoil 0.1% Rdam (\$/mt)	586.25	2.75	580.25	2.50	578.5	2.50	586.25	2.00
NWE CIF jet (\$/mt)	608.51	12.57	621.22	21.24	619.25	18.96	629.08	18.28
Singapore Kero (\$/bbl)	73.918	1.23	76.087	2.40	76.157	2.23	77.296	2.06
3.5% Rdam barges (\$/mt)	305.035	5.26	320.444	9.26	323.308	9.14	331.349	9.06
1% Fuel Oil FOB (\$/mt)	306.47	4.50	324.32	8.95	329.1	8.78	339.45	8.87
Sing FO180 Cargo (\$/mt)	350.638	5.48	363.777	11.09	360.258	10.34	362.432	9.02
Thermal coal	Q3 14	Change	Q4 14	Change	Q1 15	Change	Cal 15	Change
API2 (CIF ARA)	74.50	-0.50	77.05	-0.45	78.65	-0.35	80.45	-0.40
API4 (FOB RBCT)	73.85	-0.15	74.05	-0.20	75.25	-0.05	76.75	-0.10

Source: LME, Comex, Nymex, SHFE, Standard Bank Plc

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**Commodity Data cont.****Bulks**

	Latest Price	1-day	1-week	1-month	3-month	6-month
Turkish Scrap 80:20 (Iskenderun CFR) \$/t	239.94	0.00%	-21.29%	-18.12%	-36.46%	-29.01%
China Tangshan Steel Billet \$/t	328.00	-0.61%	-2.09%	-18.61%	-25.28%	-30.95%
China HRC export (Shanghai FOB) \$/t	405.00	0.00%	-8.16%	-14.38%	-20.90%	-24.30%
North Europe HRC domestic (ex-works) \$/t	390.00	0.00%	0.00%	-6.59%	-6.02%	-12.36%
North America HRC domestic (Midwest FOB) \$/t	526.00	-1.87%	-11.00%	-19.08%	-22.42%	-19.33%

**Steel—Futures**

LME Billet Cash \$/t	475.00	-2.06%	-3.06%	3.26%	14.11%	31.94%
LME Billet Futures (1-mth) \$/t	475.00	-2.06%	-3.06%	3.26%	14.11%	31.94%
LME Steel Billet Stocks—change	0.00	-	-	-	-	-
Shanghai Rebar Futures (Active contract) \$/t	359.65	2.07%	-6.38%	-16.86%	-27.62%	-31.63%
Shanghai Rebar Futures On-Warrant Stocks—change	-12684.00	-	-	-	-	-
China Steel Inventory (million tonnes)	11.86	7.41%	17.29%	14.74%	-4.43%	-34.54%

**Iron ore**

China Iron Ore Fines (62% Fe; CFR Tianjin) \$/t						
China Iron Ore Fines (58% Fe; CFR Tianjin) \$/t						
SGX AsiaClear IO Swaps 62% Fe \$/t (1-mth)	62.75	1.49%	-9.10%	-16.64%	-32.65%	-49.29%
China Iron Ore Inventory (million tonnes)	91.28	-0.88%	-1.44%	-8.67%	-10.32%	-5.79%

**Coking coal**

Premium Hard Coking Coal (Qld FOB) \$/t	112.50	0.00%	-0.88%	-0.92%	-0.35%	-10.57%
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**Capesize freight**

Saldanha South Africa-Beilun China	7.50	0.00%	-9.09%	-47.55%	-55.22%	-45.45%
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**Financials pricing**

RMB Currency	6.25	0.03%	0.67%	2.00%	1.72%	3.06%
China 7-day repo	4.95	12.50%	27.58%	59.68%	52.31%	32.35%
Shanghai Equities Composite	3222.36	4.11%	-4.56%	30.25%	43.89%	50.90%

Source: LME, Bloomberg, Standard Bank Plc

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